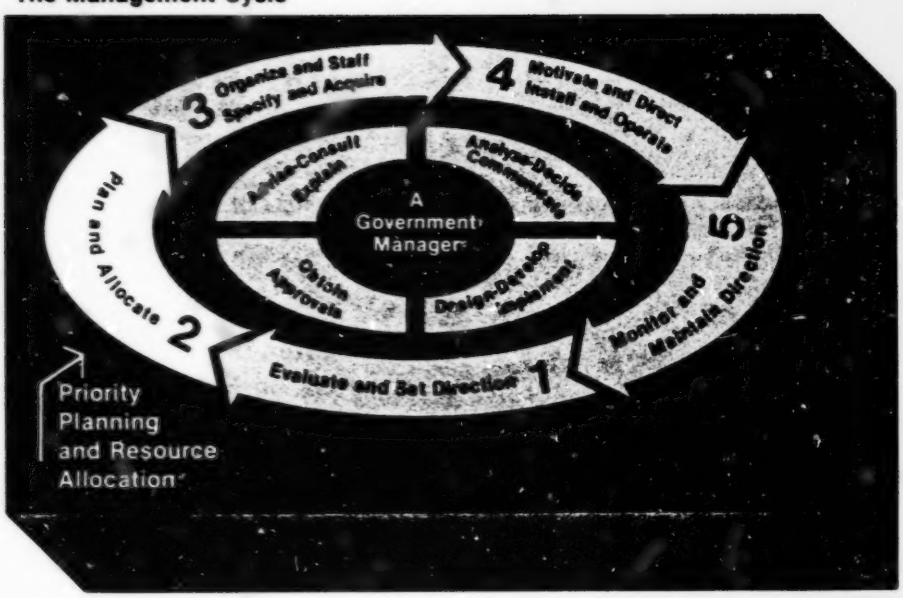
PROCESS
22-1

Management
Board
of Cabinet

OPS Management
Series

Priority Planning and Resource Allocation

The Management Cycle


3 Organize and Staff Specify and Acquire
4 Motivate and Direct Install and Operate
5 Monitor and Maintain Direction
1 Evaluate and Set Direction
2 Plan and Allocate
Priority Planning and Resource Allocation
A Government Manager
Advise-Consult Explain
Analyze-Decide Communicate
Obtain Approvals
Design-Develop Implement

Contents

	Page
Preface	4
1. Introduction	5
2. The Planning Challenge	6
3. Definitions	7
4. Priority Planning	9
5. Resource Allocation	12
6. Priority Analysis and Reporting	13
7. Process Benefits	15
8. Summary	16
Appendix A: Summary of Process Standards	17

Preface

The Management Standards Project was approved by the Management Board and Cabinet in March 1980. Its purpose is to lay the groundwork for further improving management in the Ontario Public Service over the next decade by:

- establishing a basic framework for managing in the 80s;
- developing a publications series which includes standards for the quality of management in the 80s; and
- ensuring that forums for dialogue on management issues and initiatives are established.

Ontario's Management Philosophy was published in early 1981 as a cornerstone to this series of booklets on principles and standards for management processes. The **Philosophy** states that

...the management process channels, in a purposeful manner, the vitality of each individual. It brings people together in goal-oriented teams and creates an efficient network of communication.

This booklet is one of the first published which describes a Ministry management process and sets standards for that process. The framework within which the "Ministry Management Processes" series is organized is the Management Cycle. This booklet is the first of three which fall into the "plan and allocate" group.

This booklet was developed by a project team of ministry staff, for use by ministries as a set of criteria against which the quality of their priority planning and resource allocation processes can be measured. The Management Standards Project gratefully acknowledges the assistance of the many staff in the ministries and central agencies who contributed to the development of the booklet.

The standards in this booklet must be open to revision as times and needs change. It is recognized that no ministry will measure up to all the standards immediately, but that every ministry meets some of the standards and has a process base on which to build.

The Management Standards Project will be working closely with the Civil Service Commission and ministries, to encourage the development of comprehensive training and education programs to complement these process publications. Forums will continue to be established for dialogue on these standards.

Whatever method of accountability for meeting standards is applied, ministry managers should use these as one basic self-measure of the quality of their management. The driving force in the attainment of management standards will continue to be a self-imposed striving for excellence.

Introduction

Management processes used by the Government of Ontario are related to a cycle of five management functions. These functions are:

- Evaluate and set direction
- Plan and allocate
- Organize and staff/Specify and acquire
- Motivate and direct/Install and operate
- Monitor and maintain direction.

The management cycle is the framework within which this and other booklets outlining standards for ministry management processes are written.

This booklet describes and establishes standards for **Priority Planning and Resource Allocation** by ministries. These processes relate directly to the "plan and allocate" component of the management cycle. The booklet does not, however, deal with specific techniques for effective priority planning and resource allocation. Guidelines regarding implementation of these processes will be presented in a subsequent support series publication.

It is important to note that the booklet does not address the process of strategic planning. This process, which is directed toward the development of the ministry's long-term objectives, strategies, and broad policy positions is the subject of a separate publication. Instead, **priority planning and resource allocation** concentrate on the mid-range planning needs of the ministry and the translation of the ministry's strategic objectives into more specific program directions.

2. The Planning Challenge

Government managers face a complex and rapidly changing environment. The very nature of our political system requires that government be responsive to the changing needs and desires of the public. In the 1980s, however, policy and program development must be undertaken within the reality of limited resources. It is essential, therefore, that ministries establish a clear set of priorities to guide the allocation of scarce resources.

An effective priority planning process provides the basis for the development of priorities by directing the attention of ministry management to the available range of options and their longer-term impact on the policy and financial positions of the ministry and the government. Given the lead time required to develop new policies and programs and the potential dislocations caused by sudden shifts in direction, the priority planning process, by necessity, must extend beyond the annual budget cycle.

The complex, rapidly changing environment dictates that the traditional, more mechanistic concept of long-range planning, with its emphasis on extended planning horizons and the development of explicit, integrated plans may not be appropriate. Instead, the challenge is to develop an adaptive planning process that reduces uncertainty and provides the organization with a sense of direction. The process must be sufficiently flexible to respond to inevitable course adjustments resulting from the changing environment, and should serve to stimulate the development of creative options for consideration by government decision-makers.

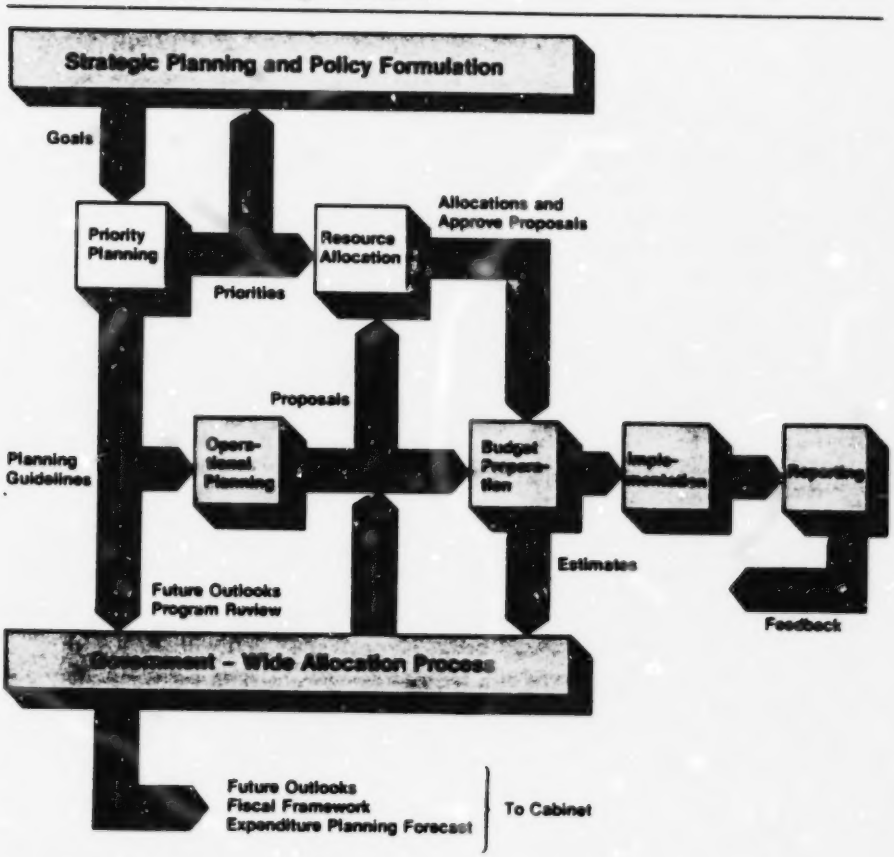
3. Definitions

Priority planning is a ministry management process which provides mid-term (3-5 year) direction to the ministry's policy formulation, resource allocation and operational planning processes. It is the link between the government and ministry's strategic objectives and specific operational decisions.

It is important to note that priority planning is policy and program-oriented and is not the preparation of detailed multi-year financial forecasts and plans. The process is designed to identify and assess program options within an anticipated policy, financial and socio-economic environment. This is to establish a set of priorities which will guide the development of operational plans, the allocation of resources and the systematic application of in-year program funding adjustments, whether these adjustments be in the form of constraints or new initiatives.

Resource allocation is the process by which resources are obtained by the ministry and assigned to approved programs. The allocation of resources is the final link between priority planning and the ministry's operational planning and budgeting processes, which are described in a separate publication. Operational plans prepared by ministry managers are prepared and evaluated against the set of priorities established through the priority planning process. Resources are allocated in accordance with those priorities. Resource allocation forms the basis for the ministry's detailed budgeting and financial control processes. Figure 1 presents, in schematic form, the components of a ministry planning process, and shows the relationships between these components.

Figure 1 **Ministry Planning Processes**



This figure shows the inter-relationships of Ministry planning processes and the linkage to the Government-wide allocation process.

4. Priority Planning

Priority planning and resource allocation are senior management responsibilities and are, therefore, dependent on the commitment, leadership and involvement of the deputy minister.

Process Standard:

(1) The deputy minister ensures that an effective priority planning process is established in the ministry.

While the deputy minister must assume primary responsibility for effective priority planning, *the involvement of the minister at key points in the process is essential.* In addition to his stewardship of the ministry, the minister fulfills responsibilities as a member of a political party, a constituency representative, and member of Cabinet. The minister is, therefore, in an excellent position to advise ministry management of the government's priorities, conditions in other ministries, other levels of government and the various client and interest groups of the ministry. Similarly, given the minister's direct responsibility for the broad policy direction of the ministry, it is essential that the minister be aware of and concur with the priorities established as a result of the priority planning process.

Priority planning affords the deputy minister and senior management the opportunity to assess the ministry's mid-term strengths and weaknesses and determine the direction the ministry should take during the planning period, in order to achieve the ministry's strategic objectives. This process should result in senior management consensus on the major issues likely to confront the ministry, the range of options available to the ministry and the most effective solutions based on an anticipated policy, financial and socio-economic environment. Devoting time to innovative and critical thinking and discussion should serve to make more explicit:

- The objectives of the ministry;
- Priorities in recognition of limited resources;
- Alternate approaches to the attainment of ministry objectives; and
- Annual implementation plans and schedules.

Planning Horizon

Priority planning is a mid-term planning process. The planning horizon should be sufficiently long to accommodate the lead time required to develop new policies and programs, but should not be extended beyond the point where realistic and specific priorities can be generated. Generally, a three to five-year planning horizon is considered most appropriate, but conditions may vary from ministry to ministry, depending on the nature and rate of environmental change.

Process Standard:

(2) The minimum planning horizon for priority planning is three (3) years.

Ministry Structure

As indicated previously, priority planning is the primary responsibility of the deputy minister and the ministry's senior management team. It is essential that this group be committed to and involved in the preparation of priority plans and that the ministry's organization and committee structure support this planning function.

A planning committee should be established with a clear mandate to undertake priority planning for the ministry. The committee should be small and should include the senior managers who represent the major areas of the ministry's activity, including policy and program development, program delivery or operations and administrative support.

In most cases, the priority planning committee could be established by enhancing the mandate of an existing senior management committee.

Process Standard:

(3) Each ministry establishes a senior planning committee with direct responsibility for priority planning.

While responsibility for undertaking priority planning clearly rests with senior management, it is essential that responsibility for coordinating and maintaining the priority planning process and providing the required support to the planning committee be clearly established within the organization.

Process Standard:

(4) Responsibility for coordinating the priority planning process is clearly assigned within the ministry.

Priority Planning Process

The initial phase of the priority planning process should be designed to determine the general environment anticipated during the planning period. This environmental analysis, should provide an in-depth analysis of areas such as economic trends, the government's anticipated fiscal strategy and its impact on the ministry, trends in resource allocation to the ministry, trends in the allocation of resources within the ministry, the government's policy direction, the objectives of the ministry and relationships with client groups.

Process Standard:

(5) The ministry assesses the economic and policy environment anticipated for the planning period.

The environmental analysis establishes the context within which senior management can address the relevance of the ministry's long-term objectives, identify the major issues facing the ministry and develop options to deal with these issues. This phase of the priority planning process should be broad in outlook and should avoid a heavy reliance on detailed financial data. The focus ought to be on the fundamental issues, creative options related to the objectives of the ministry and broad future program costs.

Process Standard:

(6) The ministry identifies the major issues and realistic program options for the planning period.

This information, together with other relevant program and environmental material such as policy and program evaluations forms the background for senior management discussions of the identified issues and options. These discussions should focus on a review of the ministry's major program areas to consider such factors as:

- Current effectiveness of the program and likely changes in the future;
- Current policy issues and options;
- Other programs which should be more closely related;
- Role of private, municipal, and federal sectors and feasibility of changing roles;
- Impact of cutbacks or modifications to program; and
- Relative priority of the program.

The discussions should clarify the significant issues likely to face the ministry over the mid-term. A shared awareness by senior management of these issues should serve to build a consensus on the most appropriate direction to be followed by the ministry during the planning period. Priority planning, in this sense, evolves in an iterative fashion. The reduction of a large number of potential issues to a short list of key issues is achieved in a flexible, consultative way. The essence of the plan that emerges is the identification of a small number of priorities that clearly address the issues and set the direction of the ministry.

Process Standard:

(7) The ministry identifies and communicates to the organization a statement of priorities which will guide policy and program development and delivery for the planning period.

The established priorities provide a framework for the assessment of legislative and policy proposals during the planning period. While such proposals should be consistent with the priorities established through the ministry's priority planning process, environmental changes and adjustments in government priorities must be recognized.

By directing the attention of senior management to the available range of options and the longer-term impact of the options on the policy and financial positions of the ministry and government, priority planning facilitates the development of well-structured and supported positions for inclusion in the policy formulation and program development process.

Process Standard:

(8) The ministry ensures that legislative and policy proposals flow from the approved priorities for the planning period.

Priority planning will serve as the basis for the development of guidelines to assist ministry management in the preparation of their operational plans.

These guidelines should outline the ministry's priorities and provide general direction to ministry managers for dealing with workload, inflation, constraints, and new initiatives.

Process Standard:

(9) The ministry prepares planning guidelines for operational planning which reflect the ministry's approved priorities and outline general ministry plans for dealing with constraint and new initiatives.

5. Resource Allocation

Resource allocation is the process by which the resources available to the ministry are assigned to approved programs. Resource allocation generally follows the consolidation of the ministry's operational plans and precedes actual budget preparation.

Operational plans should be reviewed against the set of priorities established through the priority planning process. It should be noted, however, that environmental changes which may have occurred after the promulgation of planning guidelines should be reflected in the approved operational plans.

Process Standard:

(10) Resource allocations are made on the basis of the operational plans submitted and in accordance with the ministry's identified priorities.

The resource allocation process presents the opportunity for senior management to develop and communicate more detailed contingency plans to deal with in-year program and funding adjustments. While in-year adjustments are disruptive to staff and often fail to consider the longer term impact on programs, it is unlikely that they can be totally eliminiated, given the current financial environment. It is essential, therefore, that mechanisms are in place to ensure that the integrity of priority areas is maintained.

While it can be expected that constraints and/or new initiatives will be responsive to the ministries' stated priorities, *the real challenge is to ensure that existing programs change as a result of priority planning. Senior management should, therefore, encourage the realignment of the ministry's existing resource base to conform to the ministry's approved priorities*. Managers should be encouraged to question whether their programs are compatible with the ministry's direction and, if not, what improvements or accommodations can be made. Consideration should, therefore, be given to incentives such as efficiency investments which are directed toward improved productivity.

Process Standard:

(11) The resource allocation process includes the development and communication of contingency plans to facilitate the application of in-year adjustments and the realignment of the existing resource base as required.

6. Priority Analysis and Reporting

Although planning is by necessity a cyclical function, efforts must be made to sustain the climate and momentum it creates throughout the year. A significant benefit of priority planning can be the process of communication it engenders in formulating the mid-term direction for the future of the ministry. If priority planning must be reintroduced to ministry management each year, its efficacy should be questioned.

One means for ensuring the continuity of the process is the implementation of a reporting system that is specifically designed to meet the information needs of senior management. A modified "Critical Success Factor" approach could be used, where in the planning phase, senior managers:

- Identify specific priority areas requiring attention;
- Clearly assign responsibility and accountability for results;
- Identify factors within each that are critical to success; and
- Define a specific indicator for each critical success factor.

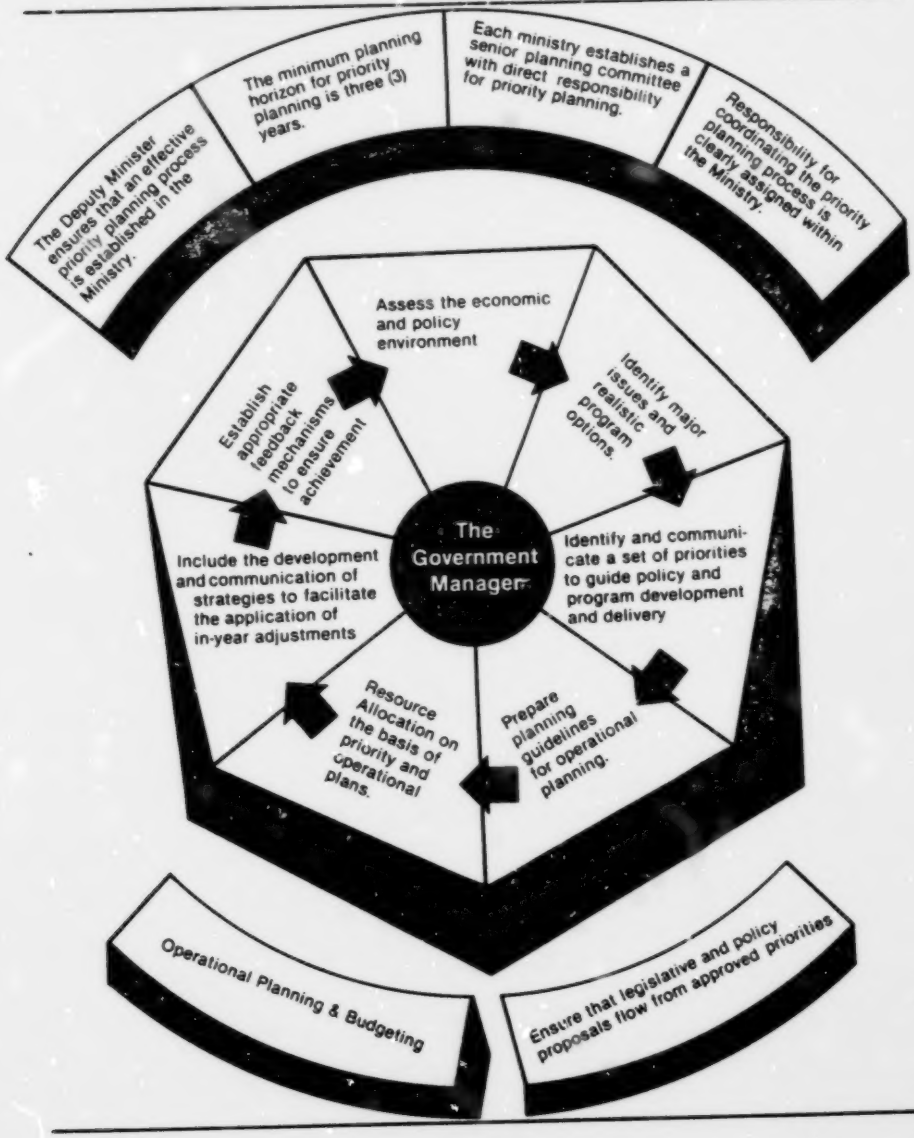
The reporting package could include financial, program, and environmental priority areas. The latter should include significant factors in the ministry's internal and external environment which are of interest to senior managers. Examples might include the attitude of client groups to specific ministry initiatives, specific labour relations issues, or various social and economic indicators.

Whatever process is followed, regular reports on priority areas for senior management would serve to strengthen and reinforce the ministry's planning environment and management control.

Process Standard:

(12) The ministry establishes appropriate feedback mechanisms to ensure that priority planning and resource allocation are achieving the intended results.

Figure 2 Summary of Standards for Ministry Priority Planning and Resource Allocation Processes.


The Deputy Minister ensures that an effective priority planning process is established in the Ministry.
The minimum planning horizon for priority planning is three (3) years.
Each ministry establishes a senior planning committee with direct responsibility for priority planning.
Responsibility for coordinating the priority planning process is clearly assigned within the Ministry.
Assess the economic and policy environment
Identify major issues and realistic program options.
Identify and communicate a set of priorities to guide policy and program development and delivery
Prepare planning guidelines for operational planning.
Resource Allocation on the basis of priority and operational plans.
Include the development and communication of strategies to facilitate the application of in-year adjustments
Establish appropriate feedback mechanisms to ensure achievement
The Government Manager
Operational Planning & Budgeting
Ensure that legislative and policy proposals flow from approved priorities

7. Process Benefits

Improved Performance

The most important benefit of an effective priority planning and resource allocation process will be to increase the ministry's ability to respond to change, to provide meaningful advice to government decision-makers, and to develop policies and programs acceptable to the public. Through improved performance in policy and program development, the ministry will be in a position to maintain or increase its level of service within an environment of limited resources.

Communications

The process provides an important communications link within the ministry organization by facilitating communication between the deputy minister and the senior management team. Ideally, such communication is two-way in nature and relies on consultation and dialogue, as opposed to more formal communications mechanisms.

Not only can senior management communication be improved, but the process also provides a mechanism whereby the direction of the ministry can be communicated and periodically reaffirmed throughout the organization.

The development of a clear set of priorities will assist the ministry in communicating and testing policy and program options at the political level as well as with its interest and/or client groups.

Development of Corporate Commitment

Enhanced communication will assist the deputy minister in developing a consensus or corporate commitment among senior management to the future direction of the ministry. There is no doubt that managers have a responsibility to serve as advocates for their program. Concomitantly, they must recognize their broader corporate responsibilities. Priority planning and resource allocation, by emphasizing a high degree of involvement and consultation in a relatively informal atmosphere, is an important tool in building the required corporate commitment within the ministry.

8. Summary

Priority planning and resource allocation is an important management process which should be in place in all ministries in order to reduce uncertainty and enable ministries to cope with a complex and changing environment. Not only must planning be flexible and responsive to change, it also must be viewed as a critical process to direct change within the organization.

The process should be oriented toward development of a set of priorities to guide operational decisions. In the final analysis, priority planning and resource allocation must be the process that considers the impact of policy and program development on the resource base and, conversely, translates the limitations on the resource base into a meaningful set of priorities to guide the organization.

Appendix A

Summary of Process Standards

The ministry's priority planning and resource allocation processes are satisfactory when:

(1) The deputy minister ensures that an effective priority planning process is established in the ministry.

(2) The minimum planning horizon for priority planning is three (3) years

(3) Each ministry establishes a senior planning committee with direct responsibility for priority planning.

(4) Responsibility for coordinating the priority planning process is clearly assigned within the ministry.

(5) The ministry assesses the economic and policy environment anticipated for the planning period.

(6) The ministry identifies the major issues and realistic program options for the planning period.

(7) The ministry identifies and communicates to the organization a statement of priorities which will guide policy and program development and delivery for the planning period.

(8) The ministry ensures that legislative and policy proposals flow from the approved priorities for the planning period.

(9) The ministry prepares planning guidelines for operational planning which reflect the ministry's approved priorities and outline general ministry plans for dealing with constraint and new initiatives.

(10) Resource allocations are made on the basis of the operational plans submitted and in accordance with the ministry's identified priorities.

(11) The resource allocation process includes the development and communication of contingency plans to facilitate the application of in-year adjustments and the realignment of the existing resource base as required.

(12) The ministry establishes appropriate feedback mechanisms to ensure that priority planning and resource allocation are achieving the intended results.